

## AGENDA ITEM 9 APPENDIX: ASSET CLASSES AND THEIR CHARACTERISTICS

Asset Class Characteristics		Diversification	Liquidity	Volatility	Purpose
Equities	High expected returns in a well developed market		high liquidity	high volatility	High returns
Bonds	Issued by Governments or Corporations	Medium to high correlation to liabilities	high liquidity	considered low risk	Liability matching - low risk
Property	Long term link to the economy	Low correlation with equities and bonds	medium liquidity		Provides diversification and reduces volatility
Hedge Funds	Aim for absolute return	Low correlation with equities and bonds	medium to low liquidity		Provides diversification for Fund
Infrastructure	Large scale long term projects	Uncorrelated to equities	illiquid		Inflation linked cash flows and uncorrelated to equities
Private Equity	Investment in companies not listed on a recognised exchange	Partially correlated with equities	illiquid		Diversification and high return